



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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JULY 9, 1984

HUMAN RESOURCES
DIVISION

B-215564



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The Honorable Margaret M. Heckler
The Secretary of Health and Human Services

Dear Madam Secretary:

Subject: HHS Needs to Determine If Massachusetts'
AFDC Program Meets Federal Requirements
and If Not Take Compliance Action to Stop
Federal Sharing in Erroneous Payments
(GAO/HRD-84-8)

Enclosed is a copy of our letter to the Massachusetts Department of Public Welfare which discusses improvements needed in the Department's administration of the Aid to Families with Dependent Children (AFDC) program. Among other matters, we determined that the Department made erroneous AFDC payments in 1981, 1982, and 1983 and that the federal share of these payments was over \$3 million. We are recommending that you direct the Commissioner of Social Security to ascertain whether the Massachusetts Department has taken effective action to improve its automated welfare files used for administering the AFDC program and, if not, that you take compliance action against Massachusetts to withhold federal financial participation for failure of the state in practice to comply with federal requirements.

As discussed in the enclosure, the Department

- made estimated 1981 payments of \$168,000 to (1) ineligible AFDC dependents ages 18 to 20 who were not regularly attending school and (2) refugees for whom reimbursements were claimed under the Refugee Act of 1980 (Public Law 96-212) beyond the act's 3-year payment limit,
- made estimated 1981 AFDC payments of \$240,000 to ineligible dependents (including refugees) 21 years or older and took an average 6.7 months to adjust benefits after these dependents became ineligible,
- recorded an estimated 61 percent of the dependents' eligible status incorrectly in the 1981 automated welfare file,

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--incorrectly recorded or failed to record social security numbers for both AFDC primary recipients and dependents and failed to record all refugees' U.S. entry dates needed to monitor the Refugee Act's 3-year payment limit, and

--experienced related problems implementing 1981 Omnibus Budget Reconciliation Act (Public Law 97-35) requirements and made erroneous AFDC payments--the federal share was \$2.8 million--during February 1982 to August 1983.

The Department maintains separate automated files on recipients (payees) and dependents. The recipients' file contains information on the recipient--date of birth, social security number, and in the case of refugees, date of U.S. entry--and the number of dependents in the case. The dependents' file contains information on each dependent including birth date, social security number, and as appropriate, student status (but for refugees does not include U.S. entry dates). The Department's system, however, does not provide for automatic cross-referencing between the files. Rather, monthly case-alert reports, identifying cases due for semiannual eligibility redetermination, are generated from both the recipients' and dependents' files and sent to field offices for needed action. Caseworkers are expected to manually verify the status of each case member, adjust the case file as appropriate, and notify the payment system of case changes. The Department, however, has no tracking system to assure that caseworkers follow through on the alerts and make timely and accurate case adjustments.

The Department's automated refugee recipient file contains the U.S. entry date for only one refugee per case--namely, the first person applying for assistance who may not be a parent of the family. But when a refugee parent enters the country and applies for assistance, the parent's entry date is used for the new case, the dependent's case is closed, and the dependent becomes part of the new case.

The law provides that the entry date used to establish a refugee's initial eligibility for assistance is the date each person first enters the country. Without entry date information on all refugee case members in the file, erroneous payments or untimely adjustments for ineligible recipients can occur because caseworkers must manually review dependents' files to establish entry dates. In cases where refugee dependents entered the country before a parent, caseworkers will not be alerted in time to prevent erroneous payments because the alert is based on the

parent's entry date. Consequently, to assure that caseworkers are notified in time to prevent erroneous payments, each refugee's entry date must be available in any system the Department uses to notify caseworkers of an impending change in recipient status.

In addition, the Department has experienced substantial data problems in its automated welfare files, such as erroneously entered or missing social security numbers and incorrect information about dependents' status. Although the Department has undertaken efforts in March and August 1983 to purge ineligible cases from its rolls and actually terminated about 2,400 cases, we were informed by Department officials in October 1983 that they were unsure of the extent to which this has been accomplished. Also, in July 1983, we provided the Department with a list of AFDC records having invalid social security numbers. In a February 1984 meeting, we were informed that action to obtain valid numbers had not yet been taken.

During 1982 and 1983, the HHS Region I Commissioner recommended that the Office of Family Assistance (OFA) disallow the Department's claims for federal financial participation in erroneous payments made to AFDC dependents. In a November 18, 1982, letter to OFA, for example, the Commissioner cited payments made during February and March 1982 where dependents' ages did not meet eligibility requirements. The Commissioner cited similar erroneous payments and recommended claim disallowances in letters dated January 21, 1983, and April 13, 1983, covering the Department's April to June 1982 and October to December 1982 payments, respectively.

OFA officials told us that the Commissioner's recommended claim disallowances were not sustained, because they were based on the results of regional office audits and not the AFDC quality control system reviews. HHS determined in early 1982 that the AFDC quality control system and its related sanctions for excessive error rates was the exclusive legal means for retrospectively disallowing state claims for federal financial participation in erroneous AFDC payments.

According to 45 CFR 201.6(a)(2), federal payments to a state can be withheld if the Commissioner of Social Security--after reasonable notice and opportunity for hearing to the state agency--finds that the state has failed to comply with federal requirements. Based on such a finding, the Commissioner can limit payments to only the program areas that do comply, until the state takes necessary corrective actions.

OFA officials informed us that in 1982 they had considered possible compliance action against Massachusetts for its failure to administer the AFDC program in conformance with federal requirements, but the action was not taken. As of April 1984, OFA has not taken such compliance action against any state.

In its September 1983 comments to our draft report, HHS said that it was aware of Massachusetts' data system problems and would assist the state in developing an approach to correct them.

CONCLUSIONS

We recognize that, for the reasons stated above, compliance action taken against Massachusetts could not be applied so as to recover the misspent federal funds identified during our review but that some recovery may be possible through the quality control system. The state, however, needs to improve its administrative processes so that payments made to age-ineligible AFDC dependents and others not meeting federal requirements are no longer claimed for federal financial participation or reimbursement.

As of February 1984, Massachusetts had taken or planned to take a number of actions to address these problems, although at that time Department officials could not provide us assurances that all ineligible recipients had been removed from the payment rolls or that identified data inaccuracies had been corrected. As stated in its comments, HHS was aware of Massachusetts' data problems and planned to assist it in developing corrective actions. If during these assistance efforts the Commissioner finds these problems continue to persist unabated, we believe that HHS compliance action would be warranted.

RECOMMENDATIONS TO THE SECRETARY OF HEALTH AND HUMAN SERVICES

We recommend that you direct the Commissioner of Social Security to

- ascertain whether the Massachusetts Department of Public Public Welfare has taken effective action to:
- (1) validate and correct AFDC dependent case information in its automated welfare master files;
 - (2) record U.S. entry dates for all refugee recipients and dependents in its automated welfare master files;

- (3) develop, for those cases identified as requiring changes, a tracking system to ensure that caseworkers follow through in making the changes; and
 - (4) emphasize that field offices act to remove ineligible dependents from cases, adjust benefits accordingly, and otherwise improve case maintenance activities; and if not,
- take compliance action against the Massachusetts Department of Public Welfare to withhold federal financial participation for failure of the state in practice to comply with federal requirements.

AGENCY COMMENTS AND
OUR EVALUATION

HHS provided written comments (attach. I) on the draft reports. HHS indicated that it (1) was aware of the problems the state has had in segregating eligible and ineligible student dependents in its automated records; (2) had identified potential over claims related to ineligible dependents; and (3) was reviewing the policies and legal issues involved in a possible recovery.

HHS subsequently informed us that the AFDC quality control system with its related sanctions was the exclusive legal means for recovering the federal share of erroneous AFDC payments and substantiated this position. Consequently, we have withdrawn a proposal, made in our draft, that HHS recover from Massachusetts the federal share of erroneous AFDC payments we calculated. The federal share of erroneous payments in excess of the tolerance level would be recovered under the AFDC quality control system reviews.

With respect to our recommendation that HHS require the Massachusetts Department of Public Welfare to record U.S. entry dates for all refugees in its automated welfare master file, HHS commented that it (1) believed the data were available in the state's automated refugee files and (2) would explore with the state whether the automated welfare master file could be cross-referenced with the automated refugee files. Our review showed, however, that the Department's automated refugee recipient payee file contains the U.S. entry date for only one refugee per case, not the entry date for each refugee in each case. As already discussed, these data are insufficient for determining refugee dependent eligibility and assuring that ineligible recipients are promptly removed from the payment files.

In addition, both AFDC and refugee program payments are now governed by the state's automated welfare master file. The proposed "cross-referencing" is done now by the Department--in the form of periodic manual comparisons between the automated welfare master file and refugee file--in attempts to control refugee payment periods. We continue to believe that the Department could gain needed control over the periods in which refugee benefits are paid--and eliminate the need for manual cross-referencing--if U.S. entry dates for all refugees were recorded in its automated welfare master file.

Regarding our recommendation that HHS require Massachusetts to establish a tracking system to ensure timely adjustments on all case types, HHS commented that it would instruct the state to establish such a system.

With respect to our recommendation that the Commissioner require Massachusetts to validate and correct information in its automated welfare master file, HHS commented that it would assist the Department in developing an approach to correct the various data elements--social security numbers, dates of birth, and age--identified in our report.

We have updated and made some technical changes to the final report for clarity.

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As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement of actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this letter and its enclosure to the above-mentioned Committees and the House Committee on Ways and Means; the Senate Committee on Finance; the House and Senate Committees on the Budget; the Director, Office of Management and Budget; and other interested parties.

Sincerely yours,



Richard L. Fogel
Director

Enclosure



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington D C 20201

SEP 12 1983

Mr. Richard L. Fogel
Director, Human Resources
Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Fogel:

The Secretary asked that I respond to your request for our comments on your draft of a proposed report "Need to Recover the Federal Share of Erroneous Aid to Families with Dependent Children Benefit Payments on Cases with Ineligible Dependents in Massachusetts." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

Richard P. Kusserow
Inspector General

Enclosure

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE
GAO DRAFT LETTER REPORT, "NEED TO RECOVER THE FEDERAL SHARE OF
ERRONEOUS AID TO FAMILIES WITH DEPENDENT CHILDREN BENEFIT
PAYMENTS ON CASES WITH INELIGIBLE DEPENDENTS IN MASSACHUSETTS"
GAO/HRD-83-71

GAO Recommendation

That the Secretary recover from Massachusetts the Federal share of the erroneous AFDC benefit payments. The authority for such recovery is set forth in 45 CFR 201.13 (1982). The estimated amount to be recovered from February 1982 through May 1983 is more than \$2 million. Provision for future recoveries should be made until the State corrects the problem of identifying AFDC dependents' ages and graduation status.

Department Comment

As noted in the draft report, we are aware of the problems the State has experienced in segregating eligible and ineligible student dependents in its automated records. We have identified potential overclaims by the state on account of ineligible dependents and are reviewing the policies and legal issues involved. When the review is completed, we will make a decision on the final disposition of the matter, including whatever recovery may be appropriate.

GAO Recommendations

That the Secretary direct the Commissioner of Social Security to:

- require the Massachusetts Department of Public Welfare to record age and date of entry data on refugee dependents in the automated welfare master file.
- require Massachusetts' welfare officials to validate and correct case information on the automated welfare master file.
- require Massachusetts' welfare officials to establish a system for tracking cases identified as needing change to assure that such changes are made by case workers.

Department Comment

We concur with the thrust of the first recommendation. However, we believe that the data is currently available in State automated files. Age is a data element of the automated welfare master file, and date of entry is a data element of the refugee recipient file. Thus, the Department of Public Welfare could cross reference the pertinent data. We will explore this matter further with the State.

With respect to the second recommendation, we will assist the State in developing a corrective action planning item that will specifically address the validation and correction of the data elements referred to in the CAO draft report, including Social Security number, date of birth and age.

With respect to the last recommendation, we will instruct the State to establish this type of tracking capability within its present system.

We also want to point out that the State is in the process of negotiating a contract for the design and implementation of a management information system which will be patterned after the HHS-developed model system--Family Assistance Management Information System, or FAMIS. The new system will include among other things, controls over pending changes in AFDC cases and will provide a solution--albeit a somewhat long-range one--to the other problems which the State has experienced over the years. We are working closely with the State as the requirements and specifications for the system are developed.



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B-215564

9 JUL 1984

Mr. Charles Atkins, Commissioner
Massachusetts Department
of Public Welfare
600 Washington Street
Boston, Massachusetts 02111

Dear Mr. Atkins:

We have reviewed the Department's automated files used for administering the Aid to Families with Dependent Children (AFDC) program. This letter provides you with our findings and observations and identifies areas where the Department should take corrective action.

Specifically, we found that the Department

- made estimated 1981 payments of \$168,000 to (1) ineligible AFDC dependents ages 18 to 20 who were not regularly attending school and (2) refugees for whom reimbursements were claimed under the Refugee Act of 1980 (Public Law 96-212) beyond the act's 3-year payment limit,
- made estimated 1981 AFDC payments of \$240,000 to ineligible dependents (including refugees) 21 years or older and took an average 6.7 months to adjust benefits after these dependents became ineligible,
- recorded an estimated 61 percent of the dependents' eligible status incorrectly in the 1981 automated welfare file,
- incorrectly recorded or failed to record social security numbers (SSNs) for both AFDC primary recipients and dependents and failed to record all refugees' U.S. entry dates needed to monitor the Refugee Act's 3-year payment limit, and
- experienced related problems implementing 1981 Omnibus Budget Reconciliation Act (Public Law 97-35) requirements and made erroneous AFDC payments--the federal share was \$2.8 million--during February 1982 to August 1983.

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We discussed the above matters with your staff who then validated our observations. We have addressed your comments (see enc. IV) to our draft of this report on pages 8 through 11.

OBJECTIVE, SCOPE, AND METHODOLOGY

During our review of selected states' internal controls over automated welfare files, we identified potential problem areas in the Massachusetts Department of Public Welfare's automated files and proceeded to review its systems in more detail. Our overall objective was to determine whether the Department's automated data system files were used efficiently and effectively in managing its AFDC program. Most of our fieldwork was done from June 1981 to June 1983.

We reviewed federal and state laws and regulations, along with the state plan, to determine the eligibility age limits for dependent children entitled to AFDC benefits. We then reviewed the Massachusetts automated AFDC dependents' files for June 1981 which, according to Department officials, was a typical month. Of 20,282 dependent children age 18 or older receiving payments in June 1981, we initially found that 1,369 did not appear eligible due to their age or student status. These cases--the number, type (nonrefugee, refugee), and possible ineligibility basis--were as follows:

<u>Possible ineligibility basis</u>	<u>Non-refugees</u>	<u>Refugees</u>	<u>Total</u>
Ages 18-20 (ineligible if not students)	823	140	963
Age 21 and older (ineligible age)	<u>365</u>	<u>41</u>	<u>406</u>
Total	<u>1,188</u>	<u>181</u>	<u>1,369</u>

To validate eligibility, we selected and analyzed a random sample of 110 dependents from each of the two age groups. We used case profiles for each dependent, which reflected the status of the case as of June 1981 and May 1982. We analyzed the reliability of the case information and each dependent's eligibility basis during June 1981. When in later months payments were stopped for a dependent, we determined the reasons as well as the elapsed time, from when a dependent became ineligible, until the case files and payments were adjusted.

Using the results of our analysis and your Department's field validations, we identified the ineligible dependents as well as errors in the dependent data base. We also estimated the amount of erroneous payments. Because our estimates were developed from random samples, they have a measurable precision or sampling error. Sampling errors, where shown, are stated at a 95-percent confidence level. We annualized the estimated overpayments derived from our findings for June 1981, which was considered a typical month.

We also reviewed the provisions of the Omnibus Budget Reconciliation Act of 1981 and the Department's efforts to implement the act's AFDC dependents' age restrictions. Using 14 months of actual case data that the Department extracted from its files and made available for our review, and methodologies obtained from Department officials, we calculated the federal share of erroneous payments made to certain ineligible AFDC dependents during February 1982 through August 1983.

We also analyzed the entire automated files for June 1981 to determine the accuracy of SSNs recorded for AFDC recipients and dependents. As part of this effort, we requested the Social Security Administration (SSA) to independently validate the SSNs for 363,601 AFDC records.

In this report we distinguish between recipients (who are the named payees in regular AFDC and refugee cases) and dependents (who are generally the children of the payees) because Massachusetts maintains them on separate automated files. Only the recipients/payees are listed on the master payment file, not the dependents.

INELIGIBLE DEPENDENTS RECEIVED
AFDC PAYMENTS DURING 1981

During our review, the Department had no tracking system to assure that age-ineligible dependents were removed from AFDC rolls and benefits reduced accordingly. Also, the Department did not record U.S. entry dates for all refugees including dependents in the automated welfare files so caseworkers had to manually verify changes in dependents' status that may affect eligibility and, hence, payment amounts. Our analysis showed that an average of 6.7 months elapsed between the time dependents became ineligible due to age and payments were adjusted.

In June 1981, federal and state laws and regulations did not permit children ages 18 through 20 to receive AFDC benefits unless regularly attending a school, college, university, or vocational or technical training program designed to prepare the child for gainful employment. After their 21st birthday, they became ineligible as AFDC dependent children.

Section 311 of the Refugee Act of 1980 (Public Law 96-212) amended title IV of the Immigration and Nationality Act by adding, inter alia, a new section 412. Section 412(e)(1) provides that both cash and medical assistance can be given to any needy refugee during the first 36 months after entering the United States. States are reimbursed fully for such assistance payments and for related administrative costs associated with this Refugee Resettlement Program (RRP). Section 412(e)(4) provides that AFDC benefits should be given to eligible refugees and that the AFDC program will share the costs for such benefits similar to those shared for nonrefugees. The state's share of AFDC refugee costs is reimbursed from the Federal Refugee Resettlement Fund for up to 3 years from the date of entry.

Based on our sample, we estimated that there were 122¹ ineligible dependents ages 18 through 20 (96 nonrefugees and 26 refugees--see enc. I) who received benefits of \$14,000¹ in June 1981 (or an annualized \$168,000). These dependents were ineligible because they were not regularly attending school or were refugees receiving RRP benefits for more than 3 years.

Based on our sample, we estimated that there were 189² ineligible dependents age 21 and older (148 nonrefugees and 41 refugees--see enc. I) who received benefits of \$20,000² in June 1981 (or an annualized \$240,000). We also estimated that 163³ additional dependents were eligible but miscoded or had just reached age 21, and 55⁴ others were not receiving benefits even though the file recorded them as active AFDC dependents.

¹Sampling errors are \pm 56 cases and \pm \$9,300 at the 95-percent confidence level.

²Sampling errors are \pm 33 cases and \pm \$5,400 at the 95-percent confidence level.

³Sampling errors are \pm 32 cases at the 95-percent confidence level.

⁴Sampling errors are \pm 22 cases at the 95-percent confidence level.

Eight sample dependents reached age 21 during June 1981. We did not consider them ineligible in that month because their birthdays generally occurred after the June AFDC benefit payment dates. During July 1981, however, erroneous payments were made to six of the eight dependents.

The Department uses an automated process to alert field offices when AFDC cases need eligibility redeterminations. This process identifies cases for redetermination 1 month before their due date and also prioritizes the cases to be redetermined. A top process priority are cases involving dependents expected to attain age 21. After such cases have been identified for the field offices, however, they become part of their case maintenance workloads--at which point, Department officials advised us, redetermination priorities can change depending on local monthly workload conditions. Once alerted, caseworkers are required to adjust the case files to remove the ineligibles and then notify the payment system of the changes made. Absent such a notification from the caseworkers, ineligible recipients continue to receive payments.

Our review showed that the Department has no tracking system to assure that the adjustments are timely and correctly made. We noted that an average of 6.7 months elapsed between the time certain dependents became ineligible due to age and payments were adjusted.

The dates when all refugees entered the United States are not recorded on the automated welfare master files used to administer the AFDC and RRP programs, and therefore, the automated process was not used for alerting caseworkers of the need to review potentially ineligible refugees during our review. Instead, the Department relied on caseworkers to manually identify dependents exceeding the 3-year limit in order to adjust benefit payments without the benefit of any notice of a recipient's impending change in status. As already discussed above, many caseworkers were not timely in making adjustments.

During March 1982, however, the Department established a separate automated file to control the length of time refugee payees (recipients) received RRP benefits. But this file contains entry data on only one refugee per case--who may not be a parent of the family--not the entry dates for each respective parent and dependent. When the refugee parent enters the country and applies for assistance, the parent's entry date is used for the new case, the dependent's case is closed, and the dependent becomes part of the new case. Thus, the dependent's

date of entry is lost to the system, and the parent's date of entry controls the 3-year RRP payment period.

The law provides that the entry date used to establish a refugee's initial eligibility for assistance is the date each person first enters the country. Without entry date information on all refugee case members in the file, erroneous payments or untimely adjustments for ineligible recipients can occur because caseworkers must manually review dependents' files to establish entry dates. In cases where dependents entered the country before a parent, caseworkers will not be alerted in time to prevent erroneous payments because the alert is based on the parent's entry date. Consequently, to assure that caseworkers are notified in time to prevent erroneous payments, each refugee's entry date must be available in any system the state uses to notify caseworkers of an impending change in a recipient's status.

MISSING AND UNRELIABLE DATA IN
AUTOMATED FILES IMPEDES EFFECTIVE
MANAGEMENT OF AFDC CASES

The Department needs complete and accurate information in its automated welfare files to correctly determine AFDC eligibility and benefit amounts. Key data needed include SSNs, dates of birth, and coded reasons why dependents qualify for assistance.

Social security numbers

Title IV-A of the Social Security Act (section 402(a)(25)) requires states to obtain SSNs for all AFDC applicants and recipients and to use the SSNs in administering the program. The Code of Massachusetts Regulations (106 CMR 303.600) provides that AFDC cases must not include persons whose SSNs or proof of SSN application are not provided to the Department.

Based on our sample, we estimated there were 63⁵ cases (dependent children aged 21 and older) where SSNs were not recorded in the automated file (59 cases) or were incorrectly recorded (4 cases).

Recording accurate and valid SSNs is essential for effective computer matching to validate income and resources and

⁵Sampling errors are ± 23 cases at the 95-percent confidence level.

assure that dependents are not included in more than one case for the same welfare program. For this reason, we analyzed the entire automated files for June 1981 and identified 1,040 AFDC dependents with no SSN recorded in the file. We submitted the remaining 363,601 AFDC records to SSA for SSN validation. SSA identified an additional 43,942 individuals (12 percent) with invalid SSNs. On July 25, 1983, we referred each of these AFDC records to your Department for followup and corrective action. In a February 1984 meeting with Department officials, an Assistant Regional Commissioner told us that the Department had not yet taken any corrective action.

Dates of birth and action reason codes

Other key information about AFDC recipients in the automated welfare master files include dates of birth and reasons (action reason codes) why dependents are receiving assistance. For example, action reason code "09" signifies that dependents ages 16 through 20 are eligible for AFDC because they are full-time students exempt from participating in the Work Incentive (WIN) program. The Department's automated process for alerting field offices to case redeterminations relies extensively on birth dates and action reason codes.

Based on our sample, we estimated that action reason codes were incorrect for 700 cases⁶ or 73 percent in the automated files for dependents ages 18 through 20; no birth date errors were noted. The Department's validation of 86 percent of our sample cases showed that the dependents were full-time students, and all had been miscoded as either (1) not working but registered in the WIN program on a mandatory basis or (2) exempt from registration in the WIN program because there were children in the home under age 16 (see enc. III). We also found errors in action reason codes and birth dates in the automated file for dependents age 21 and older (see encs. I and II).

Ineligible dependents continue to receive benefits after 1981

AFDC dependent data errors in the automated files have prevented the Department from efficiently implementing the Omnibus Budget Reconciliation Act of 1981 provisions. The act limited AFDC eligibility to children under 18 years old, or at state

⁶Sampling errors are \pm 75 cases at the 95-percent confidence level.

option, dependent secondary-school level students who could reasonably be expected to graduate before their 19th birthday. The Department obtained a waiver from the Department of Health and Human Services (HHS) to delay implementing the requirements through January 1982. Effective March 18, 1982, Massachusetts amended its state plan to adopt the federal criterion and indicated that no federal financial participation would be claimed for payments to AFDC dependents not meeting the criterion.

In the 2 years that have passed since the state's waiver expired, the Department expended many months of effort to identify dependents age 18 and older. The Department's field offices had to determine whether each dependent age 18 graduated from secondary school in 1982, or could reasonably have been expected to graduate in 1983 before their 19th birthday. If the Department could have readily identified students from its automated master files, erroneous payments made to ineligible dependents during the period might have been avoided. As discussed above, 73 percent of the action reason codes were incorrect.

We calculated that \$2.8 million was the federal share of payments made to ineligible dependents age 18 and older from February 1982 through August 1983. This calculation was based on 14 months of actual case data that the Department extracted from its files and made available for our review and on methodologies obtained from Department officials. Our calculation does not include administrative costs associated with these cases.

OBSERVATIONS AND EVALUATION OF THE DEPARTMENT'S COMMENTS

The Department could correct data errors on the recipient and dependent automated welfare master files by validating all recorded data during each case's redetermination. In this way, each errant case now in the automated files should be corrected within 1 year.

After master file case data are improved, the Department's computer system might be used more extensively than now for case management. Cases, for example, that have dependents ineligible due to age could be readily identified and benefits, after due process, automatically adjusted.

Also, the Department should have its field offices act to improve their case maintenance processes and to remove

ineligible dependents from the AFDC and RRP rolls. The Department should consider developing an automated tracking system for verifying that field offices adjust cases when dependents become ineligible, and reduce payments accordingly.

In commenting on these observations the Department stated that, along with conducting special eligibility reviews, it had instructed its computer staff to (1) identify in computer-generated reports the dependents reaching ages 18 and 19 and (2) give caseworkers a month's advance notice on the cases having dependents with changed ages. The Department commented that this "critical-age-change" report and other manual techniques will ensure prompt compliance with AFDC eligibility requirements and will be fully operational during early 1984.

While we recognize that this could have the effect of further emphasizing eligibility requirements, we still believe the Department should emphasize that field offices initiate timely case maintenance once the current case alert reports are received and that its existing processes can and should be improved to assure that this occurs.

We believe also that the Department should record in its automated welfare master file dates when refugee recipients and their dependents enter the country. In commenting on this observation, the Department discussed its (1) separate automated file on refugee recipients (which, however, includes the entry date for only one refugee per case), (2) automated case-alert process which identifies for caseworkers when refugee recipients have reached benefit receipt limits and should be removed from RRP rolls, and (3) manual adjustment process for eliminating RRP benefit claims when benefit time limits have been reached. The Department commented that its automated case-alert process has been perfected and is fully operational, such that RRP reimbursements are no longer being received for payments beyond the 36-month statutory limit.

As discussed on page 5, in March 1982 the Department created a separate automated file for refugee payees/recipients, but the file contains entry date data on only one refugee per case--not the entry date for each refugee in each case. As already discussed, these data are insufficient for determining refugee dependent eligibility and assuring that ineligible recipients are promptly removed from the payment files. In addition, we learned that the Department's new automated case-alert process for refugees was to be field tested in late 1983

and would become fully operational sometime thereafter. Since entry data for each refugee will not be recorded, we continue to believe that the Department would have greater control over RRP payment periods if all refugees' entry dates were recorded on the automated welfare master file.

A complete and accurate automated master file might also make possible the Department's timely implementation of legislated program changes. The length of time the Department required to implement the 1981 federal AFDC dependent age restrictions, for example, might have been reduced significantly.

In our draft report, we proposed that the state return the federal share of its erroneous AFDC payments. The Department commented that (1) any refund made to the federal government based on such audit findings could result in the state's "double jeopardy" because the same errors could be detected later through normal quality control reviews, and federal recoveries again attempted through state sanctions; (2) on February 1, 1983, the Department's AFDC policy was revised to comply with Omnibus Budget Reconciliation Act dependent age limits, and a state-financed grant program was established to support affected full-time students no longer eligible for AFDC; and (3) two special field projects had been conducted to review the eligibility of all AFDC dependents age 18 and older and to remove ineligible from the rolls.

We held further discussions with HHS officials on the erroneous payment recovery issue and concluded that the AFDC quality control system (and related sanctions) is the exclusive legal vehicle for recovering the federal share of erroneous program payments, such as those made by Massachusetts. Accordingly, we have deferred this matter for resolution by the AFDC quality control and sanctioning system.

We also reviewed the Department's two projects--completed in March and August 1983--aimed at removing ineligible dependents age 18 and older from the AFDC rolls. In February 1983, the Department identified about 3,600 cases with such dependents. By August, the Department had removed 2,450 of the cases from the AFDC rolls. We did not obtain information on actions taken on each case. Between March and August 1983, the Department sent verification questionnaires to these clients and from their responses identified over 1,000 of the 2,450 ineligible dependents as eligible for the State Grant for Education and Training program. Our analysis of state grant program case-loads, however, showed an average of only 350 dependent students on its rolls from March to September 1983.

These special projects relied on caseworkers at the local offices to verify manually the dependents' status and adjust benefits accordingly. The Department, however, had no tracking system to assure that action to remove those ineligible from the rolls was completed or timely. The need for a tracking system to assure action on the monthly case-alerts has already been discussed. In an October 11, 1983, meeting with the Deputy Commissioner and his staff, we were informed that they do not know the extent to which ineligible dependents have been removed from the AFDC rolls because there is no feedback mechanism to assure that corrective action has been taken.

Regarding our observation that valid SSNs should be recorded on the automated welfare master file, the Department commented that when applicants do not have an SSN, a "dummy" number is assigned. In this way, benefit payments can be started, while the applicant is directed to a local Social Security office to apply for a valid SSN. The Department also commented that it automatically validates SSNs monthly with SSA, which process updates the Department's automated welfare master file. In followup discussions with Department officials, however, we determined that the SSN verification process which the Department's comments referred to affected only new AFDC applicants not having SSNs, who are referred to a local Social Security office to apply for a valid number. The process does not affect cases already on the rolls. As discussed on page 7, the Department has not taken corrective action on the cases with invalid SSNs we provided to them in July 1983.

In commenting on our analysis of welfare master file coding errors, the Department questioned our estimate of five errors (see enc. II) where pregnant women with no other children in the household were coded as dependents. First, we eliminated this pregnant women category from the AFDC dependent universe before taking our random sample. Second, the remaining 409 dependents age 21 and older which we considered were all identified on the Department's June 1981 automated welfare master file as dependent full-time students. Our random sample from the adjusted universe identified five instances where dependents should have been identified as pregnant women rather than full-time students. Also, coding errors on three of the five dependents we questioned were validated by the Department's field offices during our review.

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We appreciate the cooperation provided by your staff during our review. Please advise us of any action taken or planned on the matters discussed in this letter. We are providing a copy of this letter to the Secretary of Health and Human Services.

Sincerely yours,



Morton A. Myers
Regional Manager

Enclosures - 4

ANALYSIS OF AFDC DEPENDENT CHILDREN RECEIVING BENEFITSDURING JUNE 1981 BY AGE AND ELIGIBILITY STATUS

<u>Eligibility status</u>	<u>Dependent children age 21 and older</u>			<u>Dependent children ages 18-20</u>		
	<u>Estimated number</u>	<u>Sampling error^a</u>	<u>Number in sample</u>	<u>Estimated number</u>	<u>Sampling error^a</u>	<u>Number in sample</u>
Nonrefugee dependents:						
Not eligible for AFDC benefits	148	31	40	96	51	11
Active dependent, but not included in AFDC benefits	55	22	15	26	b	3
Eligible for AFDC benefits—data in file correct ^c	30	17	8			
Eligible for AFDC benefits—but mis-coded on the file	133 ^d	30 ^d	36	700 ^e	75 ^e	80
Refugee dependents receiving AFDC benefits:						
Not eligible as dependent child	41	19	11			
Not eligible for RRP benefits—receiving benefits for more than 36 months as a refugee				26	b	3
Eligible for RRP benefits not exceeding 36 months	—		—	114	55	13
Total ^f	406		110	963		110

^aSampling errors are stated at the 95-percent confidence level. This means that, if all case files for dependents were examined, the chances are 19 out of 20 that the result obtained would differ from the estimates obtained from the samples by less than the sampling errors.

^bNumbers of occurrence in sample too few to compute reliable estimates.

^cDependents attained age 21 during latter part of June 1981.

^dSee enclosure II for types of coding errors on welfare master file.

^eSee enclosure III for results of validation to case records and for types of coding errors on welfare master file.

^fData may not add to totals because of rounding.

ANALYSIS OF CODING ERRORS ON WELFAREMASTER FILE AS OF JUNE 1981^aDependent Children Age 21 and Older

<u>Type of error</u>	<u>Estimated number</u>	<u>Sampling error^b</u>	<u>Number of miscoded cases in the sample</u>
Dependents that should have been identified as a recipient's spouse	63	23	17
Dates of birth recorded in error, individuals were eligible and were receiving AFDC benefits	41	19	11
Pregnant women with no other children in the household that were recorded on the file as dependents	18	13	5
Dependents given an AFDC active status code on the automated file, but not included in grant calculation for AFDC cases	<u>c</u>	c	<u>3</u>
Total	<u>133</u>	30	<u>36</u>

^aThe data in this analysis are part of the sample of 110 AFDC dependent children age 21 and older shown in enclosure I and are presented to further explain the types of coding errors recorded on the automated welfare master file.

^bSampling errors are stated at the 95-percent confidence level. This means that, if all case files for dependents age 21 and older were examined, the chances are 19 out of 20 that the results obtained would differ from the estimates obtained from the sample by less than the sampling errors.

^cNumbers of occurrence in sample too few to compute reliable estimates.

ANALYSIS OF CODING ERRORS ON WELFARE MASTER FILEAS OF JUNE 1981^aDependent Children Ages 18-20

<u>Type of error</u>	<u>Estimated number</u>	<u>Sampling error^b</u>	<u>Number of miscoded cases in the sample</u>
Dependents that should have been re- corded as full-time students rather than:			
Persons exempt from WIN registration because of a child in the home under under 6	c	c	1
Persons exempt from WIN registration because of a child in the home under age 16	219	71	25
Persons exempt from WIN registration because of illness. Must review case in 90 days	158	63	18
Mandatory registration for the WIN program--not in school	105	53	12
Old AFDC eligibility codes that were never updated to identify the per- son as a full-time student	<u>114</u>	55	<u>13</u>
Total number of dependents field- validated to case folders ^d	604	82	69
Dependents that were not field- validated to case folders	<u>96</u>	51	<u>11</u>
Total	<u>700</u>	75	<u>80</u>

^aThe data in this analysis are part of the sample of 110 AFDC dependent children ages 18-20 shown in enclosure I and are presented to further explain the types of coding errors recorded on the automated welfare master file.

^bSampling errors are stated at the 95-percent confidence level. This means that, if all case files for dependents ages 18-20 were examined, the chances are 19 out of 20 that the results obtained would differ from the estimates obtained from the sample by less than the sampling errors.

^cNumbers of occurrence in sample too few to compute reliable estimates.

^dField validation work was done by Massachusetts Department of Public Welfare.



CHARLES M ATKINS
Commissioner

The Commonwealth of Massachusetts
Executive Office of Human Services
Department of Public Welfare
600 Washington Street, Boston 02111

October 4, 1983

Mr. Morton A. Myers
Regional Manager
United States General Accounting Office
100 Summer Street - Suite 1907
Boston, MA 02110

Dear Mr. Myers:

I am responding to your letter of September 12, 1983 in which you requested comments on the GAO draft letter report.

In general, the Department agrees with your findings on the 18-21 year old issue, but does not agree, in whole, on the Refugee issues. The specifics will be outlined later in this letter. The Department has made a number of modifications subsequent to your review and is in the continuing process of implementing several system edits. We appreciate your office's review and recommendations outlining the need of such edits.

However, we do dispute your recommendation that DPW return \$2.4 million in alleged erroneous AFDC payments. Any errors that are identified in a Quality Control (QC) review would be picked up as a QC sanction. Returning \$2.4 million would possibly result in the Department being penalized twice for the same errors, in effect double jeopardy.

Regarding your other findings, effective February 1, 1983, the Department revised AFDC policy ensuring compliance with Federal Regulations (Omnibus Budget Reconciliation Act of 1981) regarding the definition of a dependent child. The policy change eliminated AFDC eligibility for any dependent between the ages of eighteen and twenty-one, unless the dependent is eighteen, regularly attending a full-time secondary school or equivalent program and reasonably expected to graduate prior to his/her nineteenth birthday. Simultaneously, in accordance with Massachusetts State Legislation, the Department established a 100% state funded Grant for Education and Training (GET) Program for those dependent children who become ineligible as a result of the aforementioned AFDC policy change.

Mr. Morton A. Myers
October 3, 1983
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In March 1983, the Department completed a special field project that identified all AFDC dependent children between the ages of eighteen and twenty-one and took the necessary action to ensure compliance with the Federally-mandated change to AFDC categorical eligibility, closing dependents that did not meet the 1981 OBRA eligibility criteria.

On July 11, 1983, the Department instructed AFDC workers to review the eligibility status of all eighteen year olds and older recipients on GET and AFDC and take appropriate action if the student no longer met the applicable program's eligibility requirements. The June 1983 caseload was used to identify the aforementioned recipients because June is considered a critical time for previously eligible students to become ineligible because of a change in student status (i.e., graduation). The workers were instructed to review each case record appearing on the printout to identify age, school attendance and expected date of graduation or completion of a training program for each recipient listed on the printout. Based on this review, the worker either closed the case or the ineligible dependent, or noted on the printout the recipient's continued eligibility and the expected date of graduation. August 1, 1983 was deemed the completion date of this special project, at which time the only eighteen year old dependents remaining on AFDC would have been those reasonably expected to graduate by their nineteenth birthday.

Similarly, our computer staff has been instructed to modify existing programs that automatically identify dependents who will turn six or sixteen to include those turning eighteen or nineteen. The resulting critical age change printout alerts the field that the dependents on the monthly listing may become ineligible, in the subsequent month, for continued assistance because they no longer meet categorical eligibility requirements. Thus, these printouts supplement and enhance other manual techniques utilized by DPW to ensure prompt compliance with AFDC categorical eligibility requirements.

In regard to Refugee cases, the Department did initiate a separate automated file in early 1982. Beginning in January 1982, transmittal documents (authorization for grant, medical and food stamp assistance) were forwarded to the Statistical Reporting Unit by the WSOs. Information was taken from the Transmittal Document and a separate automated file was established identifying the refugee's date of entry into the country. In early 1982 the Department began adjusting the refugee expenditure claims by excluding any payments for clients over the thirty-six month limit. During April through June of 1982 the agency began adjusting the claims to exclude payments to refugees in the country over eighteen months who did not meet the eligibility criteria for AFDC and, therefore, does not receive reimbursement for these cases after the eighteenth month. In June, 1982 a system was developed and tested which would allow copies of printouts to be forwarded to the various WSOs alerting case workers to take action in removing clients from the refugee files after the eighteen and thirty-six month limit. This system has now been perfected and is fully operational.

Mr. Morton A. Myers
October 4, 1983
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Therefore, as the Department does not now receive reimbursement from the Office of Refugee Resettlement (ORR) for cases over the time limits, and as we only receive reimbursement from the AFDC program for those cases eligible for AFDC, the prompt closing of these cases will result in a savings of state costs, but will not impact federal reimbursement.

In regard to the section pertaining to social security numbers, the Department does require, as a condition of eligibility, all AFDC applicants to have or obtain SSNs. Therefore, when an individual requests AFDC benefits and does not have a social security number, (s)he is assigned a "dummy" SSN (this is a necessary step since the automated system will not allow a case to be established on the masterfile without a number) and referred to the local Social Security office to apply for a valid SSN. Once a month Baltimore sends a tape of that month's SSN issuances to Massachusetts welfare recipients and the applicable SSNs on the masterfile are automatically updated. If mismatches occur, DPW sends a listing to the field to manually review the Baltimore-supplied applicant information against the case record information, so that the proper case is identified and the corresponding "dummy" SSN is updated. The finding, that "63 cases that required SSNs were either not recorded in the automated file or were recorded in error" (p.7), is difficult for us to address since we cannot determine what percentage of the 63 cases represent missing vs. erroneous SSNs.

Finally, we have a comment on one specific type of error that is identified on Enclosure II (Analysis of Coding Errors on Welfare Master File as of June 1981), namely "pregnant women with no other children...". While it is difficult to assess exactly why the five cases were identified as errors, we will explain why these cases appear on the dependent file. Our automated system requires all cases in receipt of AFDC to have at least one dependent on file, and since federal regulations allow women in their last trimester of pregnancy to receive AFDC we are forced to establish the case as grantee-ineligible with the pregnant woman as her own dependent (Action Reason Code-14).

We appreciate the opportunity to review this draft report. However, because of the short time given for comments, we reserve the right to review all back-up documentation regarding your sampling technique and dollar amounts in question. If you have any questions on this response, please contact Richard Pedrolì, Assistant Director of Finance, at (617) 727-6171.

Sincerely,



Charles M. Atkins
Commissioner

cma:rpp:cm